



**MCI Telecommunications
Corporation**

1801 Pennsylvania Avenue, NW
Washington, DC 20006

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ORIGINAL

November 12, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
Washington, DC 20554

EX PARTE

Re: Universal Service Reform, CC Docket No. 96-45

Dear Ms. Salas:

On November 10, 1998, Jonathan Sallet and Michael Pelcovits of MCI WorldCom, Inc. met with Commissioner Tristani and Paul Gallant to discuss MCI WorldCom, Inc.'s position in the above-captioned docket. Because the meeting took place at the NARUC meeting in Florida and the FCC was closed yesterday, this filing is being made today.

Sincerely,

Mary J. Sisak

cc: Commissioner Tristani
Paul Gallant

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November 12, 1998

Magalie Roman Salas
Secretary
Federal Communications Commission
Washington, DC 20554

Ex Parte

Re: Universal Service Reform, CC Docket No. 96-45

Dear Ms. Salas:

On November 10, 1998, Jonathan Sallet, Michael Pelcovits and Joe Miller met with Commissioner David Baker of the Georgia Public Service Commission and the Federal-State Joint Board to discuss the above-captioned docket. Attached is the presentation that was used in the meeting. Because the meeting took place at the NARUC meeting in Florida and the FCC was closed yesterday, this filing is being made today.

Sincerely,

Mary J. Sisak
Mary J. Sisak

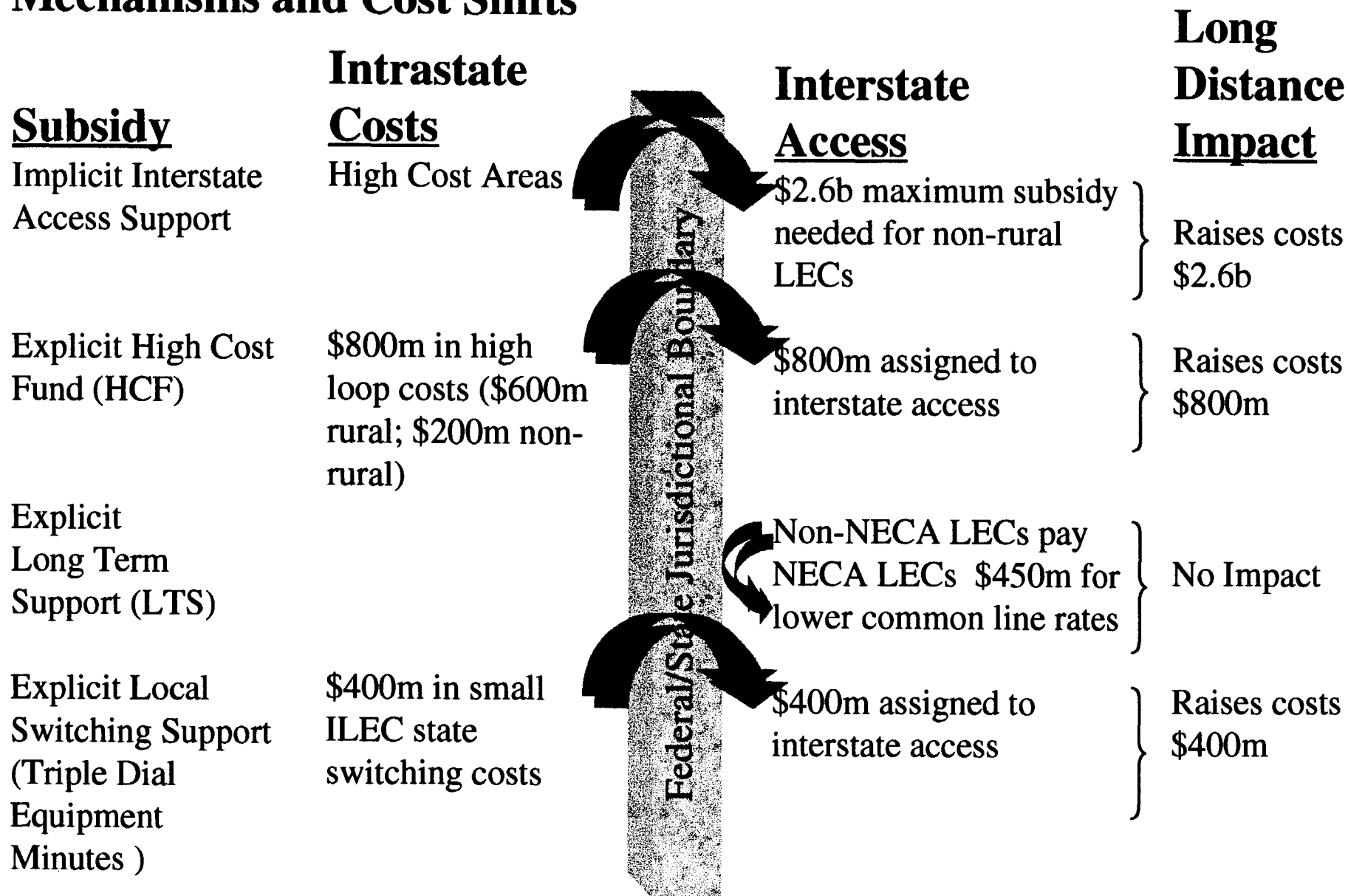
Attachment

cc: Commissioner David Baker

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Existing Universal Service Subsidy Mechanisms and Cost Shifts

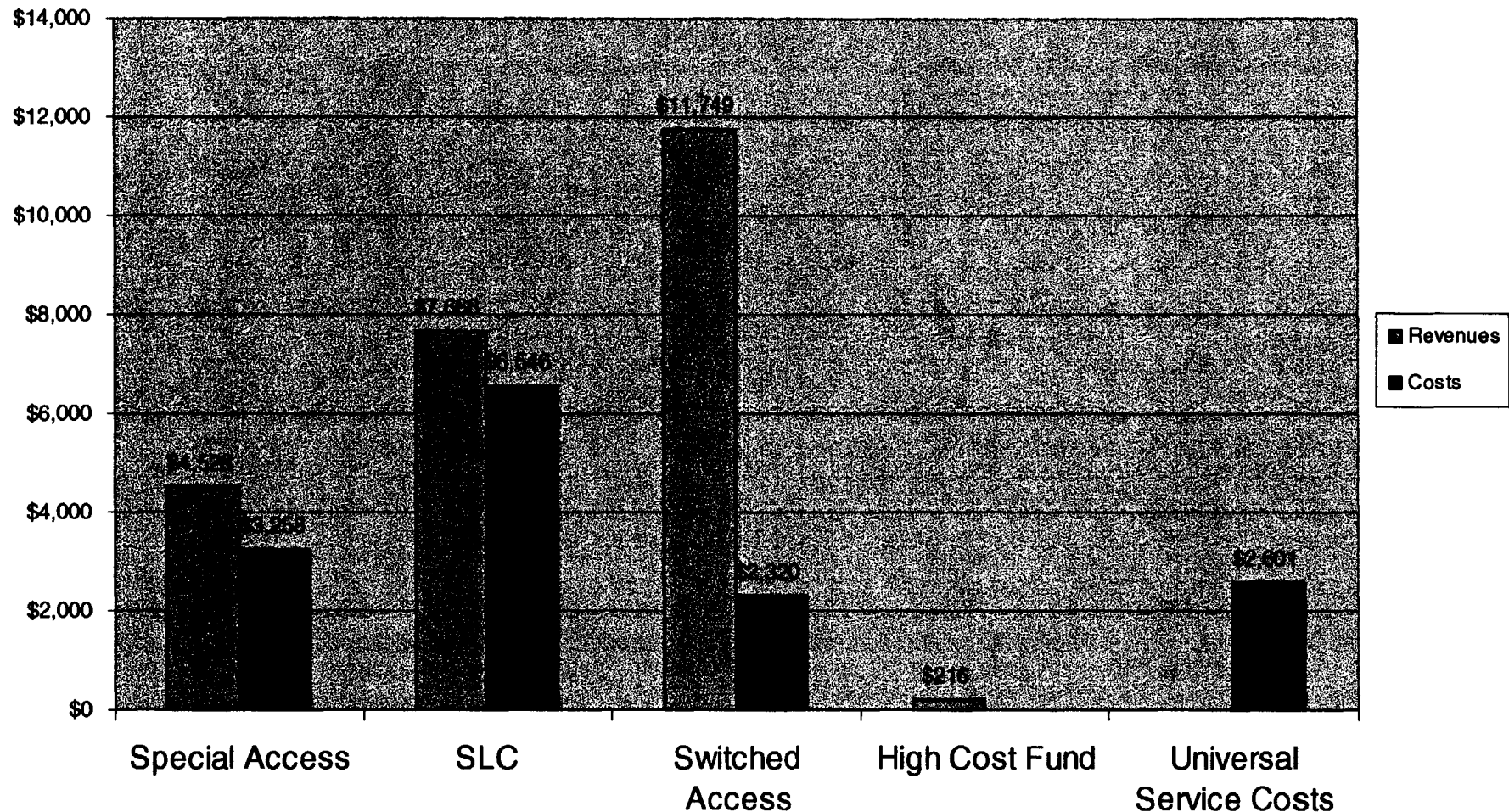


The Future Per 1997 FCC Order

<u>Subsidy</u>	<u>Intrastate Costs</u>	<u>Explicit USF + Interstate Access</u>	<u>Long Distance Impact</u>
Explicit Universal Service Support	High Cost Areas \$2.6b to <u>maintain</u> affordable rates*	Create explicit \$2.6b fund: must reduce access by \$2.6b to offset direct/indirect assessments on IXC's	No net change
Explicit High Cost Fund (HCF)	\$200m non-rural \$600m rural	\$200m folded into new explicit fund; \$600m rural remains in access	Access cost \$600m too high
Explicit Long Term Support (LTS)		\$125m folded into new explicit fund; \$325m remains in NECA	No net change
Explicit Local Switching Support (Triple DEM)	\$400m in small ILEC state switching costs	\$400m assigned to interstate access	Access cost \$400m too high

* Assumes 100% Federal Funding Per HAI Model. Above-cost rates in vertical services, business rates, etc., may be subsidizing local rates beyond Federal definition of affordability.

1998 Interstate Access Revenues, Economic Costs, and USF for Non-Rural LECs



Percent By Which Rates Exceed Costs

